

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Public Safety Services
Department of Public Safety
and Corrections
Parish and Municipal Motor Vehicle
Sales and Use Tax Escrow Fund
State of Louisiana
Baton Rouge, Louisiana

July 23, 2003



Financial and Compliance Audit Division

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Albert J. Robinson, Jr., CPA

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**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
PARISH AND MUNICIPAL MOTOR VEHICLE
SALES AND USE TAX ESCROW FUND
STATE OF LOUISIANA
Baton Rouge, Louisiana**

Financial Statements and
Independent Auditor's Reports
As of December 31, 2002, and for the Period
January 1, 2002, Through December 31, 2002
With Supplemental Information Schedule

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

July 23, 2003

**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
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PARISH AND MUNICIPAL MOTOR VEHICLE
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Financial Statements and
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OFFICE OF
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July 17, 2003

Independent Auditor's Report
on the Financial Statements

COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
PARISH AND MUNICIPAL MOTOR VEHICLE
SALES AND USE TAX ESCROW FUND
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund, an agency fund within the Louisiana Department of Public Safety and Corrections, Public Safety Services, as of December 31, 2002, and the related statement of collections, distributions, and unsettled balances for the period from January 1, 2002, through December 31, 2002. These financial statements are the responsibility of management of Public Safety Services. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the director of Public Safety Services serves as collector and distributor of parish and municipal motor vehicle sales and use taxes. As such, the accompanying statements present information only on the activities of the collector of motor vehicle sales and use taxes included in the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund and do not purport to, and do not, present fairly the financial position and changes in financial position of the Louisiana Department of Public Safety and Corrections, Public Safety Services, in conformity with accounting principles generally accepted in the United States of America. Furthermore, the accompanying statements have been prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

**COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
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Audit Report, December 31, 2002**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund of Public Safety Services as of December 31, 2002, and the collections, distributions, and unsettled balances of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund for the period from January 1, 2002, through December 31, 2002, in conformity with the basis of accounting described in note 1.

As discussed in note 3, the Supreme Court of Louisiana issued a judgment upholding the Nineteenth Judicial District Court's decision that declared Louisiana Revised Statutes 47:303(B)(a) and (b)(1) unconstitutional. These statutes require that local tax collectors enter into an agreement to use the Vehicle Commissioner of the Office of Motor Vehicles as their agent to collect local motor vehicle sales and use taxes. Although this ruling could effectively eliminate all parish and municipality tax collections and distributions made currently by the Office of Motor Vehicles, the office had current contracts to collect motor vehicle sales and use taxes with all taxing authorities in the state at December 31, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 17, 2003, on our consideration of the Parish and Municipal Sales and Use Tax Escrow Fund's internal control over financial reporting and our tests of its compliance with certain laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying financial statements. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund of Public Safety Services. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

LEGISLATIVE AUDITOR

**COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
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Management's discussion and analysis on page 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

BDC:WDD:THC:ss
[VEHTAX02]

Management's Discussion and Analysis

Our discussion and analysis of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund's financial performance provides an overview of the Fund's financial activities for the fiscal year ended December 31, 2002. Please read it in conjunction with the Fund's financial statements.

This annual report consists of a series of financial statements. The Statement of Assets and Liabilities Arising from Cash Transactions and the Statement of Collections, Distributions, and Unsettled Balances provide information about the activities of the Fund. These statements include all assets and liabilities using the cash basis of accounting. Current year's revenues and expenses are taken into account only when cash is received or paid.

Condensed Financial Information:

	As of, and for The year ended <u>December 31, 2002</u>	As of, and for The year ended <u>December 31, 2001</u>	Percentage <u>Change</u>
Total assets	\$ 23,138,615	\$ 24,052,549	(3.8%)
Total liabilities	23,138,615	24,052,549	(3.8%)
Collections	322,278,502	315,482,878	2.2%
Distributions	323,192,436	311,157,080	3.9%

Analysis of balances and transactions of individual funds:

Parish and Municipalities continue to increase sales tax amounts and implement new sales taxes. Total assets and liabilities for the years ended December 31, 2001 and December 31, 2002 represent escrow account balances which were paid to the parishes and municipalities in January 2002 and January 2003.

Respectfully,



Sandra P. Lee
Fiscal Operations Manager

SPL:jdjg

**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
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**Statement of Assets and Liabilities Arising
From Cash Transactions, December 31, 2002**

ASSETS

Cash (note 2)	<u><u>\$23,138,615</u></u>
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LIABILITIES

Due to taxing bodies and others	<u><u>\$23,138,615</u></u>
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The accompanying notes are an integral part of this statement.

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**Statement of Collections, Distributions,
and Unsettled Balances**

**For the Period from January 1, 2002,
through December 31, 2002**

UNSETTLED BALANCES AT JANUARY 1, 2002	\$24,052,549
COLLECTIONS	322,278,502
DISTRIBUTIONS (Schedule 1)	<u>(323,192,436)</u>
UNSETTLED BALANCES AT DECEMBER 31, 2002, DUE TO TAXING BODIES AND OTHERS	<u><u>\$23,138,615</u></u>

The accompanying notes are an integral part of this statement.

**PUBLIC SAFETY SERVICES
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Notes to the Financial Statements
As of December 31, 2002, and for the Period
January 1, 2002, Through December 31, 2002

INTRODUCTION

As provided by Louisiana Revised Statute (R.S.) 47:531, the director of Public Safety Services is designated as vehicle commissioner of the state. The vehicle commissioner is responsible for the collection and distribution of parish and municipal motor vehicle sales and use taxes, as well as the administration and enforcement of the "Vehicle Registration License Tax" under the provisions of Chapter 4 of Subtitle II of Title 47 of the Louisiana Revised Statutes of 1950.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund is established to reflect the collections imposed by law, distributions pursuant to such law, and unsettled balances due various taxing bodies and others. The accompanying financial statements have been prepared on the cash basis of accounting with collections recognized when received and distributions reflected when paid. As such, the accompanying financial statements do not reflect the receivables and related payables associated with tax collection activities.

B. REPORTING ENTITY

R.S. 47:303(B)(3)(b)(iii) requires the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund to be audited annually. Accordingly, the accompanying financial statements reflect financial activity of Public Safety Services relating only to the vehicle commissioner's responsibility as collector and distributor of parish and municipal motor vehicle sales and use taxes. Amounts included in these financial statements are also included in the Department of Public Safety and Corrections, Public Safety Services' annual fiscal report.

2. CASH

At December 31, 2002, the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund has cash (book balance) totaling \$23,138,615. State law requires that all collections be deposited in the state treasury. Cash balances held and controlled by the state treasurer are

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Notes to the Financial Statements (Concluded)

secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements.

3. COURT DECISION REGARDING MOTOR VEHICLE SALES TAX COLLECTIONS

On April 14, 1998, the Supreme Court of Louisiana issued a judgment upholding the Nineteenth Judicial District Court's decision that declared R.S. 47:303(B)(3)(a) and (b)(i) unconstitutional. These statutes require that local tax collectors enter into an agreement to use the Vehicle Commissioner of the Office of Motor Vehicles as their agent to collect local motor vehicle sales and use taxes. The Caddo-Shreveport Sales and Use Tax Commission, the central collector of taxes for Caddo Parish, filed suit for a declaratory judgment asserting that it was being unconstitutionally prohibited from collecting locally levied sales and use tax on motor vehicles by the operation of R.S. 47:303. The lower court found for the Caddo-Shreveport Sales and Use Tax Commission, and the Supreme Court upheld the lower court's decision. The judgment became final on April 28, 1998. Therefore, after April 28, the legislature cannot require that the Office of Motor Vehicles collect local taxes against the wishes of the central tax collector of any parish or to designate a collection agent for the Commission. Although this ruling could effectively eliminate all parish and municipality tax collections and distributions made currently by the Office of Motor Vehicles, the office had current contracts to collect motor vehicle sales and use taxes with all taxing authorities in the state at December 31, 2002.

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SUPPLEMENTAL INFORMATION SCHEDULE**
For the Period January 1, 2002, to December 31, 2002

SCHEDULE OF DISTRIBUTIONS

Schedule 1 reflects the distributions of parish and municipal motor vehicle sales and use taxes to the various taxing authorities during the period January 1, 2002, to December 31, 2002.

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**Schedule of Distributions
For the Period From January 1, 2002,
to December 31, 2002**

Public Safety Services - collection costs	\$3,231,881
Office of Legislative Auditor	22,450

TAXING AUTHORITY

Acadia Parish:

Acadia Parish Law Enforcement District	486,466
Acadia Parish Police Jury	1,608,437
Acadia Parish School Board	972,934
City of Crowley	334,295
City of Eunice	19,052
City of Rayne	181,271
Town of Church Point	56,947
Town of Iota	44,615
Village of Estherwood	8,125
Village of Mermentau	7,834
Village of Morse	9,223

Allen Parish:

Allen Parish Police Jury	277,991
Allen Parish School Board	794,263
City of Oakdale	88,601
Town of Elizabeth	10,455
Town of Kinder	38,812
Town of Oberlin	29,933

Ascension Parish:

Ascension Parish Law Enforcement District	696,053
Ascension Parish Police Jury	1,392,109
Ascension Parish Sales Tax District No. 2	696,053
Ascension Parish School Board	3,443,542
City of Donaldsonville	169,640
City of Gonzales	467,248
East Ascension Parish Drainage District No. 1	791,803
Town of Sorrento	21,838
West Ascension Hospital Service	68,887

(Continued)

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Schedule of Distributions
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TAXING AUTHORITY (CONT.)

Assumption Parish:

Assumption Parish Police Jury	\$358,205
Assumption Parish Road and Drainage District and Library	340,139
Assumption Parish School Board	895,516
Town of Napoleonville	18,067

Avoyelles Parish:

Avoyelles Parish Law Enforcement District	320,354
Avoyelles Parish Police Jury	640,711
Avoyelles Parish School Board	961,066
City of Bunkie	69,955
City of Marksville	108,392
Town of Cottonport	23,379
Town of Mansura	24,456
Town of Simmesport	38,106
Village of Moreauville	25,378
Village of Plaquemine	4,171

Beauregard Parish:

Beauregard Parish Law Enforcement District	143,032
Beauregard Parish Sales Tax District No. 1 (Police Jury)	872,811
Beauregard Parish School Board	1,130,557
City of DeRidder	244,045
Town of Merryville	41,106

Bienville Parish:

Bienville Parish Police Jury	242,615
Bienville Parish School Board	485,234
Town of Arcadia	59,674
Town of Gibsland	19,596
Town of Ringgold	29,564
Village of Castor	5,046

Bossier Parish:

Bossier Parish Police Jury	1,211,235
Bossier Parish Police Jury Capital Improvement Fund	704,326
Bossier Parish School Board	3,018,550

(Continued)

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Schedule of Distributions
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TAXING AUTHORITY (CONT.)

Bossier Parish: (Cont.)

Bossier Parish Sheriff Capital Projects Fund	\$301,859
City of Bossier Sales and Use Tax	2,695,428
City of Bossier Special District	233,181
City of Shreveport	4,040
Town of Benton	89,320
Town of Haughton	170,779
Town of Plain Dealing	42,315

Caddo Parish:

Caddo Law Enforcement District	1,050,246
Caddo Parish Sales Tax District No. 1	1,384,217
Caddo Parish School Board	6,301,483
City of Shreveport	8,073,716
Town of Blanchard	13,652
Town of Greenwood	41,400
Town of Mooringsport	14,281
Town of Oil City	16,706
Town of Vivian	93,364
Village of Rodessa	2,867

Calcasieu Parish:

Calcasieu Parish Police Jury Law Enforcement District	850,303
Calcasieu Parish Sales Tax District No. 1	1,796,704
Calcasieu Parish Sales Tax District No. 2	1,700,607
Calcasieu Parish Sales Tax District No. 3	645,727
Calcasieu Parish Sales Tax District No. 4	2,030,440
Calcasieu Parish School Board	5,101,824
City of DeQuincy	108,413
City of Lake Charles	2,494,574
City of Sulphur	774,799
City of Westlake	181,265
Town of Iowa	73,932
Town of Vinton	99,935

(Continued)

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TAXING AUTHORITY (CONT.)

Caldwell Parish:

Caldwell Parish Police Jury	\$565,876
Caldwell Parish School Board	385,807
Town of Columbia	12,835

Catahoula Parish:

Catahoula Parish Police Jury	380,246
Catahoula Parish School Board	380,246

Claiborne Parish:

Claiborne Parish Police Jury	180,586
Claiborne Parish School Board	512,728
Town of Haynesville	64,584
Town of Homer	87,018
Village of Junction City	2,558

Concordia Parish:

Concordia Parish Hospital Service District 1	81,114
Concordia Parish Police Jury	215,794
Concordia Parish School Board	648,862
Town of Ferriday	95,887
Town of Vidalia	175,374

DeSoto Parish:

City of Mansfield	70,721
DeSoto Parish Police Jury	452,978
DeSoto Parish School Board	1,132,457
Town of Keatchie	1,919
Town of Logansport	22,798
Town of Stonewall	35,555
Village of Grand Cane	6,377

East Baton Rouge Parish:

City of Baker	427,550
City of Baton Rouge	9,349,518
City of Zachary	467,061
East Baton Rouge Parish Road Tax	3,451,224

(Continued)

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Schedule of Distributions
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TAXING AUTHORITY (CONT.)

East Baton Rouge Parish: (Cont.)	
East Baton Rouge Parish School Board	\$13,804,903
East Baton Rouge Sewer Improvement	3,451,224
Parish of East Baton Rouge	3,645,054
East Carroll Parish:	
East Carroll Parish Police Jury	108,269
East Carroll Parish School Board	324,781
Town of Lake Providence	40,785
East Feliciana Parish - East Feliciana Parish	
School Board and Police Jury	1,440,946
Evangeline Parish:	
City of Ville Platte	217,331
Evangeline Parish School Board	993,534
Evangeline Parish School Board/Solid Waste Sales Tax	496,756
Road and Drainage District No. 1	485,935
Town of Basile	26,113
Town of Mamou	84,771
Village of Chataignier	7,753
Village of Pine Prairie	26,954
Village of Turkey Creek	18,524
Franklin Parish:	
City of Winnsboro	61,024
Franklin Parish Law Enforcement District	375,165
Franklin Parish Police Jury	562,748
Franklin Parish School Board	562,748
Town of Wisner	13,075
Village of Gilbert	7,443
Grant Parish:	
Grant Parish Law Enforcement District	364,902
Grant Parish Police Jury	364,902
Grant Parish School Board	364,902
Town of Colfax	33,321
Town of Pollock	5,086
Village of Georgetown	3,861

(Continued)

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TAXING AUTHORITY (CONT.)

Iberia Parish:

City of Jeanerette	\$90,259
City of New Iberia	734,781
Iberia Parish Police Jury (Garbage Recycling)	349,959
Iberia Parish Policy Jury (Mosquito)	299,928
Iberia Parish Sales Tax District No. 2	194,921
Iberia Parish School Board	2,699,370
Town of Delcambre	11,002
Village of Loreauville	12,978

Iberville Parish:

Iberville Parish Police Jury	360,137
Iberville Parish School Board	1,063,791
Iberville Parish Solid Waste	177,558
Parish of Iberville	538,061
Town of St. Gabriel	11,048

Jackson Parish:

Jackson Parish Police Jury	172,645
Jackson Parish Road Tax	115,106
Jackson Parish School Board	812,799
Town of Eros	3,122
Town of Jonesboro	100,907
Village of Hodge	15,738
Village of Hodge (East)	474
Village of Hodge (North)	563

Jefferson Parish:

Jefferson Parish Law Enforcement District	1,931,208
Jefferson Parish School Board	11,587,261
Parish of Jefferson	23,174,523

Jefferson Davis Parish:

City of Jennings	300,913
Jefferson Davis Parish School Board	1,149,249
Jefferson Davis Sales Tax District No. 1	82,881
Town of Elton	30,818
Town of Lake Arthur	87,176

(Continued)

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TAXING AUTHORITY (CONT.)

Jefferson Davis Parish: (Cont.)

Town of Welsh	\$103,221
Village of Fenton	11,635

Lafayette Parish:

City of Carencro	181,090
City of Lafayette	4,411,261
City of Scott	231,973
Lafayette Parish Police Jury	1,290,640
Sales Tax Division, Lafayette Parish School Board	3,968,642
Sales Tax Division, Lafayette Parish School Board 02	1,818,912
Sales Tax Division, Lafayette Parish School Board 88	1,984,320
Town of Broussard	277,638
Town of Duson	61,997
Town of Youngsville	269,226

Lafourche Parish:

City of Thibodaux	515,917
Lafourche Parish Law Enforcement Subdistrict 1	1,229,417
Lafourche Parish Road Sales Tax District No. 4	930,247
Lafourche Parish School Board	3,173,514
Lafourche Parish School Board/Golden Meadow	37,431
Lafourche Road Sales Tax District 2	464,544
Lafourche Road Sales Tax District 3	178,205
Lafourche Road Sales Tax District 5	358,163
Lafourche Road Sales Tax District 6	228,568
Town of Lockport	80,683

LaSalle Parish:

LaSalle Parish School Board	626,048
Town of Jena	63,275
Town of Olla	20,828

Lincoln Parish:

City of Grambling	45,728
City of Ruston	433,208
Lincoln Parish Police Jury	528,137

(Continued)

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TAXING AUTHORITY (CONT.)

Lincoln Parish: (Cont.)

Lincoln Parish School Board	\$1,408,368
Town of Dubach	12,080

Livingston Parish:

City of Denham Springs	303,980
Livingston Parish Gravity Drainage District 1	200,545
Livingston Parish Gravity Drainage District 5	98,234
Livingston Parish Gravity Drainage District 6	78,447
Livingston Parish Law Enforcement Sub District A	981,342
Livingston Parish Road Maintenance	1,962,687
Livingston Parish School Board	3,925,374
Livingston Parish Special Sales Tax District 1	926,836
Town of Livingston	28,016
Town of Springfield	11,937
Town of Walker	145,491
Village of Albany	10,927

Madison Parish:

City of Tallulah	194,269
Madison Parish Law Enforcement District	100,526
Madison Parish Police Jury	100,526
Madison Parish Sales Tax Fund	301,557
Village of Richmond	20,006

Morehouse Parish:

City of Bastrop	316,696
East Morehouse Parish School District	30,924
Morehouse Law Enforcement District	262,674
Morehouse Parish Police Jury	262,674
Morehouse Parish School Board	788,026
Town of Collinston	5,072
Village of Bonita	4,830
Village of Mer Rouge	16,455

Natchitoches Parish:

City of Natchitoches	455,793
Natchitoches Parish School Board	962,621

(Continued)

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TAXING AUTHORITY (CONT.)

Natchitoches Parish: (Cont.)

Natchitoches Sales Tax District No. 1	\$458,912
Town of Campti	15,656
Village of Robeline	4,658
Village of Clarence	4,339
Village of Natchez	3,759

Orleans Parish:

City of New Orleans	11,370,529
Orleans Parish School Board	6,822,316
Regional Transit Authority	4,548,210

Ouachita Parish:

City of Monroe	3,409,243
City of West Monroe	534,142
Ouachita Monroe School Board	2,179,195
Ouachita Parish Fire Protection Tax	1,621,833
Ouachita Parish Police Jury	1,621,833
Ouachita Parish School Board	1,835,923
Town of Richwood	5,508
Town of Sterlington	28,339
West Ouachita School District	1,087,753

Plaquemines Parish:

Plaquemines Parish Council	616,673
Plaquemines Parish School Board	1,233,346

Pointe Coupee Parish:

City of New Roads	60,981
Parish of Pointe Coupee	752,556
Pointe Coupee Parish School Board	860,065
Town of Fordoche	18,150
Town of Livonia	23,213
Village of Morganza	12,304

Rapides Parish:

Rapides (Pineville) Sales Tax Fund	416,575
Rapides Parish (City) Sales Tax	1,307,008
Rapides Parish Sales Tax District 3	713,368

(Continued)

**PUBLIC SAFETY SERVICES
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AND CORRECTIONS
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TAXING AUTHORITY (CONT.)

Rapides Parish: (Cont.)

Rapides Parish Sales Tax Fund	\$2,289,028
Rapides Parish School Board	2,289,028
Town of Ball	42,742
Town of Boyce	12,946
Town of Glenmora	26,505
Town of Lecompte	18,596
Village of Forest Hill	3,100
Village of Woodworth	22,445

Red River Parish:

Red River Parish Law Enforcement District	144,080
Red River Parish Police Jury	144,080
Red River Parish School Board	288,162
Town of Coushatta	24,135
Village of Hall Summit	2,929

Richland Parish:

Richland Parish Law Enforcement District	171,228
Richland Parish Police Jury	513,686
Richland Parish School Board	684,915
Town of Delhi	59,497
Town of Mangham	7,288
Town of Rayville	56,297

Sabine Parish:

Sabine Law Enforcement District	123,446
Sabine Parish Police Jury	493,745
Sabine Parish Sales Tax District	11,148
Sabine Parish School Board	493,745
Town of Many	47,033
Town of Many Sales Tax District	235,723
Town of Zwolle	25,377
Village of Converse	7,035
Village of Florien	9,649
Village of Pleasant Hill	9,251

(Continued)

**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
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TAXING AUTHORITY (CONT.)

St. Bernard Parish:	
St. Bernard Law Enforcement District	\$494,066
St. Bernard Parish Police Jury	494,066
St. Bernard Sales Tax Department	3,458,475
St. Bernard Water and Sewer District	494,066
St. Charles Parish:	
St. Charles Parish Council	1,822,558
St. Charles Parish School Board	2,657,714
St. Helena Parish:	
St. Helena Parish Police Jury	296,331
St. Helena Parish School Board	296,331
Town of Greensburg	16,559
St. James Parish:	
St. James Parish Council	325,293
St. James Parish School Board	776,349
Town of Gramercy	28,672
Town of Lutchet	34,214
St. John the Baptist Parish:	
St. John the Baptist Council Sewerage	762,222
St. John the Baptist Law Enforcement District	190,555
St. John the Baptist Parish Council	762,222
St. John the Baptist Parish School Board	1,715,002
St. Landry Parish:	
City of Eunice	227,271
City of Opelousas	272,110
St. Landry Parish Educational Facility Improvement District	1,261,247
St. Landry Parish School Board	1,261,247
St. Landry Parish Solid Waste Commission	1,008,997
Town of Arnaudville	26,652
Town of Grand Coteau	8,571
Town of Krotz Springs	18,835
Town of Melville	23,276
Town of Port Barre	45,386

(Continued)

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TAXING AUTHORITY (CONT.)

St. Landry Parish: (Cont.)	
Town of Sunset	\$33,900
Town of Washington	14,198
Village of Cankton	3,168
St. Martin Parish:	
City of Breaux Bridge	115,976
City of St. Martinville	76,678
St. Martin Parish Law Enforcement District	439,043
St. Martin Parish Sales Tax District No. 1	13,830
St. Martin Parish Sales Tax District No. 2	28,943
St. Martin Parish School Board	1,746,214
Town of Arnaudville	4,535
Town of Henderson	6,566
Village of Parks	15,229
St. Mary Parish:	
City of Morgan City	72,631
St. Mary Parish Law Enforcement	430,553
St. Mary Parish Police Jury	1,506,943
St. Mary Parish School Board	1,248,609
St. Mary Parish Wards 1, 2, 3, 4, 7, and 10	89,403
St. Mary Parish Wards 5 and 8	74,158
St. Mary Parish Wards 6 and 9	22,141
St. Tammany Parish:	
City of Covington	656,224
City of Mandeville	729,668
City of Slidell	1,761,730
St. Tammany Jail Facilities and Complex	2,168,530
St. Tammany Parish Law Enforcement District	1,084,264
St. Tammany Parish School Board	8,674,128
St. Tammany Sales Tax District 3	5,270,109
Town of Abita Springs	93,534
Town of Madisonville	122,152
Town of Pearl River	148,512

(Continued)

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TAXING AUTHORITY (CONT.)

St. Tammany Parish: (Cont.)

Village of Folsom	\$40,456
Village of Sun	6,161

Tangipahoa Parish:

Amite City	96,182
City of Hammond	495,160
City of Ponchatoula	168,501
Tangipahoa Parish Council	1,842,916
Tangipahoa Parish School Board	3,685,835
Town of Independence	38,407
Town of Kentwood	52,700
Town of Roseland	15,800
Village of Tangipahoa	5,061
Village of Tickfaw	16,723

Tensas Parish:

Tensas Parish Fire Protection	22,944
Tensas Parish Law Enforcement	22,944
Tensas Parish Police Jury	183,536
Tensas Parish School Board	137,649
Town of Newellton	11,593
Town of St. Joseph	12,298
Town of Waterproof	5,287

Terrebonne Parish:

Terrebonne Parish Law Enforcement Sales Tax	973,309
Terrebonne Parish Sales Tax Fund: 0.5%	973,309
Terrebonne Parish Sales Tax Fund: 1.25%	197,737
Terrebonne Parish Sales Tax Fund: 1.5%	2,919,935
Terrebonne Parish Sales Tax Fund: 1.75%	3,406,592

Union Parish:

Town of Bernice	30,082
Town of Farmerville	62,619
Town of Marion	14,088
Union Parish Law Enforcement District	362,843
Union Parish Police Jury	452,063

(Continued)

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TAXING AUTHORITY (CONT.)

Union Parish: (Cont.)

Union Parish School Board	\$904,141
Village of Junction City	4,407

Vermilion Parish:

City of Abbeville	168,379
City of Kaplan	64,606
Hospital Service District No. 1	175,860
Town of Delcambre	21,432
Town of Erath	33,410
Town of Gueydan	22,095
Vermilion Parish Law Enforcement District	241,172
Vermilion Parish Police Jury	1,447,051
Vermilion Parish School Board	964,700
Village of Maurice	19,484

Vernon Parish:

City of Leesville	78,364
Town of Hornbeck	5,979
Town of New Llano	25,698
Town of Rosepine	14,077
Vernon Parish Police Jury	1,231,421
Vernon Parish School Board	1,641,895

Washington Parish:

Bogalusa School Board	387,700
City of Bogalusa	442,834
Town of Franklinton	87,975
Village of Angie	9,520
Village of Varnado	756
Washington Law Enforcement District	352,456
Washington Parish Road Tax	90,093
Washington Parish Sales Tax District 1	494,910
Washington Parish School Board	790,598

Webster Parish:

City of Minden	351,519
City of Springhill	166,890

(Continued)

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TAXING AUTHORITY (CONT.)

Webster Parish: (Cont.)	
Town of Cotton Valley	\$15,609
Town of Cullen	20,388
Town of Sarepta	17,553
Town of Sibley	38,731
Village of Dixie Inn	1,940
Webster Parish School Board	1,862,441
West Baton Rouge Parish:	
Parish of West Baton Rouge	614,444
West Baton Rouge Parish District No. 1	409,628
West Baton Rouge Parish Fire District No. 1	204,814
West Baton Rouge Parish School Board	819,259
West Carroll Parish:	
Town of Oak Grove	23,543
West Carroll Parish Police Jury	639,950
West Carroll Parish School Board	213,316
West Feliciana Parish:	
Town of St. Francisville	51,665
West Feliciana Parish District No. 1	81,854
West Feliciana Parish Police Jury	193,336
West Feliciana Parish School Board	386,674
Winn Parish:	
City of Winnfield	79,573
Winn Parish Police Jury	145,613
Winn Parish School Board	582,410
	<hr/>
Total Distributions	<u><u>\$323,192,436</u></u>

(Concluded)

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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July 17, 2003

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

**COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
PARISH AND MUNICIPAL MOTOR VEHICLE
SALES AND USE TAX ESCROW FUND
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Parish and Municipal Motor Vehicle Sales and Use Tax Escrow Fund, an agency fund within the Louisiana Department of Public Safety and Corrections, Public Safety Services, as of December 31, 2002, and the related statement of collections, distributions, and unsettled balances for the period from January 1, 2002, through December 31, 2002, and have issued our report thereon dated July 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Improper Tax Distributions to the
Parish of East Baton Rouge**

For the period from January 1, 2002, through December 31, 2002, the Department of Public Safety and Corrections, Public Safety Services, improperly collected and distributed motor vehicle sales taxes to the Parish of East Baton Rouge that should have been distributed to the cities of Baton Rouge, Baker, and Zachary. As the

LEGISLATIVE AUDITOR

**COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
PARISH AND MUNICIPAL MOTOR VEHICLE
SALES AND USE TAX ESCROW FUND
STATE OF LOUISIANA**

Compliance and Internal Control Report

July 17, 2003

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contracted collection agent for motor vehicle sales taxes, the department is responsible for ensuring that sales taxes are properly collected and distributed to taxing authorities based on applicable ordinances. Taxpayers living outside of city limits in the parish pay a 2.0% sales tax to the Parish of East Baton Rouge, while those taxpayers living inside the city limits of Baton Rouge, Baker, and Zachary pay sales taxes of 2.0%, 2.5%, and 2.0%, respectively.

A review of 25 distributions to the Parish of East Baton Rouge revealed that six (24%) of these transactions totaling \$2,879 (19.5%) of the sample of \$14,793 should have been distributed to the cities of Baton Rouge, Baker, and Zachary. The department did not require verification by department personnel or licensed public tag agents of the street addresses of taxpayers when determining whether those addresses were inside or outside of city limits. Instead, the department relied on the taxpayers and vehicle dealers to properly report this information on the vehicle applications. Based on the error rate noted in our sample, an estimated \$709,515 may have been incorrectly distributed to the Parish of East Baton Rouge. The improper collection and distribution of these taxes is in violation of parish and city ordinances and may subject the department to litigation by the affected taxing authorities.

The department should implement procedures to require the verification of the street addresses of taxpayers when determining whether those addresses are inside or outside of city limits. The department should also review sales tax transactions processed for the Parish of East Baton Rouge during the period from January 1, 2002, through December 31, 2002, recover the excess sales tax remittances from the Parish of East Baton Rouge, and make the proper distributions to the cities of Baton Rouge, Baker, and Zachary. Management concurred with the finding but only partially concurred with the recommendations. Management did not agree with our recommendation to review 2002 sales tax transactions from the Parish of East Baton Rouge to make the proper distributions to the cities of Baton Rouge, Baker, and Zachary. However, management outlined a plan of corrective action for future sales tax distributions (see Appendix A, page 1).

LEGISLATIVE AUDITOR

**COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
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Compliance and Internal Control Report

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Additional Comments: Although the department acknowledged and corrected the *known* error of \$2,879 in the audit sample, it has not addressed its responsibility to investigate *probable* errors for the period from January 1, 2002, through December 31, 2002. Because of its contractual relationships with the parish and cities of Baton Rouge, Baker, and Zachary, the department has an inherent obligation to investigate probable errors. We feel that the audit error rate of 19.5% and projected error of \$709,515 provide reasonable grounds for a departmental investigation of probable errors in the Parish of East Baton Rouge.

In addition, while the department noted that only one parish was cited for errors, it failed to mention that this parish has been cited for errors in prior years as well. In 1990, the accounting firm of Postlethwaite & Netterville issued a special report relating to errors in sales tax distributions in the Parish of East Baton Rouge. Based on the results of the report, the department made corrective distributions to the cities of Baker and Zachary.

Consequently, we continue to recommend that the department review transactions processed for the Parish of East Baton Rouge, recover the excess sales tax remittances, and make the proper distributions to the cities of Baton Rouge, Baker, and Zachary.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

LEGISLATIVE AUDITOR

COLONEL TERRY C. LANDRY, DEPUTY SECRETARY
PUBLIC SAFETY SERVICES
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This report is intended for the information and use of Public Safety Services and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

BDC:WDD:THC:ss

[VEHTAX02]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendations



Department of Public Safety and Corrections

Public Safety Services

M. J. "MIKE" FOSTER, JR.
GOVERNOR

CHRISTOPHER A. KEATON
UNDERSECRETARY

July 8, 2003

Grover Austin, CPA
First Assistant Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

The following is our official response to the audit finding "Improper Tax Distributions to East Baton Rouge Parish" as well as our proposed corrective action plan.

The Department of Public Safety concurs with your finding, that for 6 of the 25 transactions that were sampled, the Department of Public Safety improperly collected and distributed motor vehicle sales taxes to the Parish of East Baton Rouge that should have been distributed to the cities of Baton Rouge, Baker, and Zachary. However, the extrapolation of the error percentage to all transactions suggesting that as much as \$709,515 may be incorrectly distributed is very misleading. Additionally, the audit finding fails to mention that of the 40 parishes that were reviewed, only one parish was cited for errors. The Department of Public Safety does require that agents verify the taxpayer's address by asking for a valid driver's license. Department personnel and public tag agents are also urged to use the Tax Watch System which assists the user in determining proper domicile and distribution of the taxes collected. While this system does help, it is only as accurate as the information that is reported to it by the parishes. Therefore, we must rely on the parishes for correct mapping, and consequently, some errors in domicile coding are inherent in the process.

In an effort to address the improper distributions that resulted from these errors, the Office of Motor Vehicles has mailed a letter to each of the public tag agents notifying them of the mistakes that were made. Our corrective action plan will also include providing the Tax Watch System to all public tag agents throughout the state.

If you should have any questions or need further information, please feel free to contact me.

Sincerely,

Christopher A. Keaton
Undersecretary